

Realty Trust Review

June 10, 1974

VOL. V, No. 11

VALUE GUIDE TO TRUSTS REVIEWED THIS ISSUE

Trust	Port Yield	-6 Mo. Port. Last	Chng.- E Next	Lever. Ratio	Price	Div. Yield*	Div. Reinv.	Page
Builders Inv. Gr.	14.23%	30%	0%	2.15	\$13.00	32.9%	Yes	7
Capital Mtg. Inv.	12.49	14	0	2.42	9.25	23.7	Yes	2
C.I. Mtg.	11.65	19	5	3.06	6.63	18.1	No	3
First Mtg.	E 9.95	0	0	2.75	3.38	0.0	No	6
IDS Realty	13.02	23	15	0.54	17.38	19.3	No	8
Mtg. Inv. Wash.	15.07	22	0	0.88	12.00	15.0	Yes	4
Mtg. Trust Amer.	11.37	10	-5	1.53	7.50	17.1	No	5
Republic Mtg.	12.39	5	-5	0.95	8.38	14.3	Yes	4
AVERAGES	12.52%	+15%	+1%	1.79		17.6%		

*Based on annualized latest quarter.

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yield typically the riskiest for mortgage trusts. This connotation does not apply to equity trusts since manner of purchase and lease terms can cause wide variations. Changes in funded portfolio indicate relative dynamism of increases in earning assets, although holdings of equity trusts typically will increase much more slowly than mortgage trusts. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt to the trust's capital (equity plus convertibles plus subordinated debt). Ratios above 3.0 are rare and may portend capital financing.

NE-No estimate.

Trusts with dividend reinvestment plans for shareholders are indicated above. Further information is available from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters, including ranges for share prices and dividend yields. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim period do not coincide, prices are shown for the calendar quarter covering two months of the trust interim.

NOTE TO SUBSCRIBERS: This review issue continues our new policy of analyzing a smaller number of trusts in more detail each month. This schedule permits trusts to be reviewed only once a year instead of six months as previously.

SHORT-TERM MORTGAGE TRUSTS: SLIGHTLY BRIGHTER INTEREST PICTURE OPENS BARGAIN BASEMENT

The steam has gone out of the upsurge in short-term interest rates. While a few robins have appeared suggesting lower rates ahead, it's not yet time to doff the overcoat and rush into the cold. This spring's upward thrust of rates has left many builders,

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FIVE KEY RATIOS

	Loss Res.#	Non-earn. Inv.#	Exp. Ratio#	Floating Port.	Rate Funds
Builders Inv.Gr.	0.36%	3.5%	1.39%	61%	67%
Capital Mtg.Inv.	0.42	5.1	1.20	67	71
C.I. Mtg.	0.19	7.6	1.21	50	75
First Mtg.	1.99	20.6	1.57	NA	74
IDS Realty	0.63	2.4	1.33	65	50
Mtg.Inv.Wash.	0.79	4.9	1.77	71	45
Mtg. Trust Amer.	1.04	6.3	1.31	31	60
Republic Mtg.	1.30	22.7	2.57	NA	49
AVGS.	0.84%	9.1%	1.54	58%	61%

#Based on gross portfolio.

banks, REITs and other financial institutions in the U.S. and abroad strung out--credit lines taut and new money difficult at best--so that there may be more financial surprises and more adverse newspaper publicity even if rates recede. And even if they fall, we doubt they'll go much lower than the 9%-10% range this year and the decline could be short-lived. Capital de-

mands are just too great. In this environment investors could best maintain a short-term trading stance on the upside in REITs, since they would be big beneficiaries of lower rates. This issue reviews eight short-term mortgage REITs where share values have been deeply depressed.

The table on page 1 suggests portfolio growth will slow dramatically over the next two quarters for six of the eight, with only *IDS Realty* and *C.I. Mortgage* looking for gains. Difficulty in obtaining new financing is the key. Non-earning investments are over 20% of investments for two trusts (*First Mortgage* and *Republic Mortgage*) while below average for the remaining six. *Mortgage Trust of America* in particular is showing distinct improvement, although the 10% California usury ceiling still restricts overall portfolio yield. *IDS Realty*, which sold off sharply last week apparently in delayed reaction to the group's unpopularity, appears the best overall recovery prospect although its financing ability bears continued watching. *C.I. Mortgage* has good relative value for its portfolio quality. Republic Mortgage was a sharp gainer Wednesday reflecting its discount to book value. While Republic does not have good relative value, the market action suggests what may be expected for many depressed issues. *Mtg. Investors of Washington*, with a good record, has relatively less appeal because its price has held up well.

CAPITAL MORTGAGE INVESTMENTS (9 1/4--NYSE-CMU) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Div.range-
6/73	\$132.4M	11.15%	11.05%	\$0.70	\$0.67	\$27.00-21.88	12.3- 9.9%
9/73	142.7	12.64	11.21	0.71	0.69	27.00-21.88	12.6-10.2
12/73	154.8	13.39	11.21	0.71	0.70	27.13-15.25	18.4-10.3
3/74	162.4	12.49	9.95	0.60	0.55	21.00-14.63	15.0-10.5

Portfolio dynamics: Investments increased 14% over the past six months and management expects the portfolio to remain level over the next six months. Trust will be emphasizing equity investments. New commitments are being made very selectively. Current portfolio is 60% constr., 20% land acq. & devel., 12% interim, 5% junior and 3% land purchase/leasebacks. Commitments by project type are 41% condominiums, 30% residential subdivisions (townhouses, single family), 16% rental apartments, 8% commercial and 5% motor hotels. Investments are located in 19 states, Wash., D.C. and P.R. with 56% of portfolio located in Md. and Va. Trust plans to decrease the heavy concentration in Md. and Va. Although 80% of investments float with prime, some loans have reached their maximums so that now only two-thirds of investments effectively float with prime. Trust is not recognizing interest on seven projects for \$8.28M, or 5.1% of portfolio. The largest project is the 300-unit English Village Apartments in Memphis, Tenn. Trust recently began foreclosure proceedings and work is continuing on the project, presently about 40% complete. Trust has not presently determined whether it will sell or hold this project. The next 3 largest projects are loans to the same developer. The developer ran into cost overruns and the trust has not foreclosed. The largest is the 118-unit Hunting Ridge Apartments in Goldsboro, N.C., about 35% complete and with work continuing. Next is the 102-unit Hunting Ridge Apartments in Charlotte, N.C. now almost complete and renting up. The third is the 98-unit Heritage Court Apartments in Kinston, N.C., about 80% complete and in initial rental. Other problem loans are two small land loans and a small townhouse project in Pa. Total interest lost on these projects was \$0.18/sh. in the Mar. qtr.

Financing: Trust is funded 29% capital and 71% non-convertible debt. Capital of \$52.6M is 65% equity with 1.67M shares and 35% of 6½% convertible subordinated debentures. Debt of \$127.4M is 62% in short-term bank loans, 27% in two term loans and 11%

in commercial paper. Commercial paper is not a major source of funds. Its paper backed by letter of credit has a P-1 rating from Moodys. Bank lines currently amount to \$124.8M with 47 banks. Trust has not experienced any cuts in lines and has had some modest increases. Presently some 71% of funded debt floats with prime while 67% of investments float with market rates. Sponsor: Independent. Results & outlook: The increased cost of borrowing, problem loans, more shares outstanding and a lower portfolio yield were major contributors to the recent drop in earnings and dividends. Problem loans appear to be under control and are supervised internally by the trust. Time however will be needed to work out the problem areas. The small negative spread between funds tied to prime and loans tied to prime will continue to hurt earnings while high interest rates prevail. Shares selling at less than half book value and a 20% yield seem to be reflecting the risk associated with the present high interest rate situation. (VCK)

C. I. MORTGAGE GROUP (6 3/8--NYSE-CI) FY Oct. 31)

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
7/73	\$235.5M	11.02%	10.21%	\$0.48	\$0.48	\$23.38-17.63	10.9- 8.2%
10/73	274.6	12.02	9.54	0.45	0.45	19.00-14.50	12.4- 9.5
1/74	303.6	12.18	9.54	0.45	0.45	19.00-10.13	17.8- 9.5
4/74	326.3	11.65	7.84	0.37	0.37	14.75-10.88	13.6-10.0

Portfolio dynamics: Investments rose 19% in the past six months and management expects moderate funding growth in the next six months from funding existing commitments of \$188.4 million. Few new commitment are being made due to uncertain real estate conditions. Portfolio composition will remain unchanged in the next six months. Current portfolio is 58½% first mtg. constr., 15% short-term junior, 12% land/land devel., 11% short-term first mtg., 2½% property acquired thru foreclosure and 1% junior mtg.-land/land devel. Portfolio by property type is 28% garden apartments, 27½% apartment houses, 16% shopping centers, 12% office buildings, 10% land/land devel., 3½% hotels/motels, 2% warehouses/industrial buildings and 1% other. Investments are located in 28 states, Wash. D.C. and P.R. with concentrations in Fla., N.Y., N.J. and Pa. About 50% of loans are presently floating with the market rate while 20% were floating but have reached maximums and 30% are fixed. Beside the \$8.02M of property acquired through foreclosure, the trust has \$12.23M of loans in foreclosure process and \$4.51M of delinquent loans. These totaled \$24.73 million or 7.6% of the total portfolio. The \$8.02 million acquired through foreclosure is the land and office building located in New York City at 60th St. between Madison and Park Avenues. It has about 102T sq. ft. consisting of small office spaces. The building was acquired in the April quarter. It is 75-80% leased. Trust is working on leasing more space and this would boost leased space to 80-85%. Trust did not detail the loans in foreclosure or delinquent.

Financing: Trust is funded 25% capital and 75% non-convertible debt. Capital of \$90.6M is all equity with 4.81M shares. Debt of \$277.0M is 86% short-term bank loans, 9% bank term loan, 4% commercial paper and 1% mtg. Some 75% of total funds float with market rates. Trust's total bank lines amount to \$286.5M with 23 banks in the lines of credit. No lines have been cut but it is difficult to increase or add to bank lines. Commercial paper was down to \$10M at the April qtr. end from \$66.5M at the Jan. qtr. end. The paper is sold through Goldman Sachs and has a Fitch rating of F-1. The general negative feeling toward the REIT industry is blamed for the poor sales results. Sponsor: City Investing Co., diversified insurance and real estate company. Results & outlook: Current operations were hurt by high interest rates as well as by lower portfolio yield. Trust's near-term results will continue to be under pressure as long as high interest rates and the negative spread between funds loaned and funds borrowed persist. Problem loans will also hurt due to the time needed to work them out. The shares sell nearly 70% below book value despite adequate portfolio quality. This conservative portfolio has provided a low return with little upward float to market interest rates. Shares have only average earnings recovery prospects near to intermediate term but above average longer term potential for liquidating value. (VCK)

MORTGAGE INVESTORS OF WASHINGTON (12--OTC-MINVS) FY Mar. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
6/73	\$73.9M	11.18%	12.15%	\$0.43	\$0.42	\$17.00-14.50	11.6- 9.9%
9/73	82.9	13.44	12.33	0.45	0.45	17.13-14.25	12.3-10.2
12/73	92.6	14.99	13.45	0.47	0.45	17.00-12.63	14.3-10.6
3/74	100.7	15.07	12.39	0.43	0.45	15.13-11.50	15.7-11.9

Portfolio dynamics: The portfolio grew 22% in the past six months and management expects little growth in the next six months. Trust is essentially not making any new commitments but it will consider a quality loan on a completed project or an equity investment. In the next six months, portfolio composition will be virtually unchanged. Portfolio is 46% constr., 19% interim (0-3 years), 16% land, land devel. & land acq., 6% real estate, 5% long-term (over 3 years), 5% investments acquired by or in process of foreclosure, 3% land purchase-leasebacks. Construction loans by property type are 31% condominiums and townhouses, 15% single family, 19% hotels/motels, 13% shopping centers, 10% mobile home parks, 4% apartments and 3% warehouses. Interim loans by property type are 34% apartments, 23% medical facilities, 12% each hotels/motels and industrial, 11% office buildings, 5% shopping centers, and 3% warehouses. Long-term loans are almost all apartments. Investments are located in 20 states and Wash. D.C. with concentrations in Va. (31%), Md. (17%) and Fla. (10%). Some 83% of mortgage loans float with market rates (mainly prime) and thus some 71% of total investments float. Trust has \$4.92M or 4.9% of total portfolio in loans in foreclosure or acquired through foreclosure. Of these loans, \$3.23M are loans to Walter J. Kassuba (see RTR, Jan. 14, 1974). Loans totalling \$2.63M to Kassuba are on two completed Holiday Inns in Wisconsin to which the trust recently obtained title through a nominee. The motels have been leased to a subsidiary of the adviser and a management corporation will operate the motels. The other loan to Kassuba for \$600T, a loan on land zoned for condominiums in Newark, Del. remains in court hands. The remaining \$1.69M is composed of three loans. The first for \$1.0M is land acquired through foreclosure in Youngstown, Ohio zoned for multi-family. Trust is trying to sell this property. The second for \$346T is a 50% participation for a condominium project in Pompano Beach, Fla. The lead lender has started foreclosure. The last loan for \$340T is an economy travel lodge where the borrower has been experiencing financial difficulties. The lodge is open and operating.

Financing: Trust is funded 53% capital and 47% non-convertible debt. Capital of \$57.2M is 52% equity with 2.14M shares, 26% senior subordinated notes with floating rate (8-12%), 18% of 8½% senior subordinated note, and 4% of 8% convertible subordinated debentures. Debt of \$50.1M is 52% bank notes, 24% commercial paper, 20% senior notes and 4% mtg. Of total funds, 45% floats with market rates. Trust has bank lines of \$53.8M with 23 banks. Trust has a new bank line and is expecting an increase in one of its existing lines. No bank has cut lines. Commercial paper is rated P-1 by Moody's on paper backed by bank letters of credit. The paper is sold through Goldman Sachs and sale has been slow recently. Sponsor: Independent. Results & outlook: Increase in money costs and the loan loss reserve caused the drop in earnings last quarter. Problem loans appear to be under control but will continue to impact earnings until resolved. The spread between borrowings and lending is a healthy one and should aid trust despite the record high interest rates. Low leverage ratio will provide financial flexibility. Shares command a premium with only a small discount from book probably reflecting a small, relatively clean operation and entry into equity. Speculative play is therefore limited. (VCK)

REPUBLIC MORTGAGE INVESTORS (7--NYSE-RMI) FY Dec. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
6/73	\$77.3M	12.29%	9.23%	\$0.44	\$0.45	\$17.75-14.00	12.9-10.1%
9/73	76.5	14.13	9.27	0.44	0.45	16.88-14.63	12.3-10.7
12/73	80.5	14.77	9.46	0.45	0.45	17.13-10.25	17.6-10.5
3/74	80.4	12.39	6.97	0.32	0.30	14.75-11.13	10.8- 8.1

Portfolio dynamics: In the past six months the portfolio has increased 5% and its composition is 91% constr. and devel., 7% property acquired thru or in lieu of

foreclosure, 2% real estate and 0.4% permanent. Management expects fundings to decline in the next six months and no new commitments are being made due to the uncertain real estate market. Investments by loan type are 32% multi-family (rental & condos), 20% commercial (office buildings, shopping centers, hotels, motels), 11% land, 9% equity (incl. foreclosed property), 8% each land devel. and townhouses, 6% junior short-term, 5% single family and 1% mobile home parks. Investments are located in 17 states and P.R. with about 63% in Fla. The percentage of loans floating with market rates is not available. Trust presently has four properties for \$6.1 million which it acquired through or in lieu of foreclosure. One loan for \$1.6 million is in foreclosure and loans totaling \$10.5 million are delinquent as to interest. The total of all these "problem" loans comes to \$18.2 million or 22.7% of the Mar. portfolio. The largest property acquired through foreclosure is a \$3.01M project called Provident Drive Towers in Southfield, Mich. Originally planned as a 90 unit condominium, it was converted to a 270-unit rental project for the aged. The trust has signed contract of sale and the buyer is attempting to obtain FHA financing. The project is not completed. Trust states it will take an undetermined loss on this project. The second acquired property is a \$1.23M land and land devel. loan on 44 lots (about 80 acres) in Harrison, N.Y. Trust is seeking a buyer. The third property for \$1.39M is a land acquisition loan on 83½ acres near Clearwater, Fla. Trust has a buyer interested which would take the trust out with a possible gain. The last property for \$484T is a combination land acquisition, devel., and constr. loan for 44 single-family homes in Athens, Ga. Work has begun on 7 units. The one loan in foreclosure is for \$1.57M on a 105-unit rental apartment project in Ohio. The project is half completed and the borrower went into bankruptcy. There are 9 loans for \$10.5M which are delinquent. Of these loans, 8 are in the process of foreclosure. A loan for \$875T which was reported delinquent after the end of the Mar. quarter is now being made current and has not been incorporated into total problem loans.

Financing: Trust is funded 51% capital and 49% non-convertible debt. Capital of \$45.3M is 85% equity with 2.11M shares and 15% in 7½% convertible subordinated debentures. Debt of \$43.3M is 54% short-term bank notes and 46% commercial paper. Trust is phasing out of its commercial paper and plans to be out completely by Oct. Bank lines presently stand at \$46M with 41 line banks. Trust plans to increase its bank line usage to make up the commercial paper decline. **Sponsor:** Independent. **Result & outlook:** The decline in gross income was due to a drop in commitment fees during the quarter. This coupled with lower portfolio yield, high interest cost and revenue lost due to problem loans all contributed to lower results. Since trust will not be making new commitments, fees will not be contributing to gross revenue in the next few quarters. Problem investments, although they are being worked out, will continue a drain on near term results. Shares selling at about 60% of book value seem to reflect these adverse conditions. Recovery seems a way off.

(VCK)

MORTGAGE TRUST OF AMERICA (7 3/8--NYSE-MT) FY Nov. 30 Quar.

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld. range-
5/73	\$150.8M	10.47%	9.56%	\$0.47	\$0.47	\$21.25-16.25	11.6- 8.9%
8/73	157.1	10.58	6.42	0.30	0.30	17.75-12.50	9.6- 6.8
11/73	167.1	11.71	6.65	0.31	0.31	14.25- 7.63	16.3- 8.7
2/74	172.6	11.37	6.90	0.32	0.32	11.25- 7.88	16.2-11.4

Portfolio dynamics: During the past two quarters, fundings increased 10% but management expects a slight decline in investments over the next six months because trust has stopped making new commitments. Any runoff in portfolio will be replaced by existing commitments which at Feb.'74 were \$278M. Portfolio is 52% constr., 22% land and devel., 13% intermediate and standing, 6% junior, 3% permanent first mtg., 3% property acquired through foreclosure and 1% real estate. Portfolio by type is 22% land/devel., 21% condominiums, 19% apartments, 12% single family, 7% office, 5% each hotel/motel and shopping centers, 4% industrial buildings, 3% purchase receivable, 1% mobile home parks, and 1% other. Investments are in 23 states, Wash. D.C., P.R. and Mexico with 35% in California. The percentage of portfolio located in Calif. (which has a 10% usury ceiling) has been declining (it was 39% in Nov.) and this trend should continue. Although

59% of loans float with market rates, some investments have reached maximums so only 31% of the portfolio is presently floating effectively. Three properties acquired through foreclosure amount to \$5.54 million or 3.2% of portfolio. The largest is a \$3.48M investment in a 282-unit apartment project in San Jose, Calif. Occupancy now is 70% and expected to improve. The property is profitable and presently the trust is considering retaining it. The second largest property is a 70-unit apartment project in Reno, Nev., with trust investment \$1.67M. Units are 97% occupied and profitable. It will be held for a while. The last property is \$397T in unimproved land in Concord, Calif., now under sale contract. When sale closes trust will receive cash in excess of its investment. Trust also has 6 loans for \$10.5M on which it is not accruing interest, the largest being for \$7.0M on five different single family tracts in Las Vegas, Nev. Trust agreed not to foreclose if borrower met certain conditions. Thus far conditions have been met and of the seventy odd houses only two have not been completed and sold. The next largest loan for about \$1.0M is on a 56-unit condominium project in Tacoma, Wash. Borrower had cost overruns and a new selling program has been instituted with encouraging results (16 sales). Another loan for \$600T is on a 20-unit condominium project where the borrower died and the property is in the hands of a receiver. A loan of \$405T to Walter J. Kassuba is not accruing interest and is idle. (Trust had another loan for \$3.2M to Kassuba on a completed, 95% rented apartment project in Michigan which it has gotten out of court hands and is presently receiving all cash flow.) Property acquired through foreclosure and non-accruing loans amount to \$15.99M or 9.3% of portfolio. Since most acquired property is now earning income, real problem investments total \$10.8M or 6.3% of the Feb. portfolio.

Financing: Trust is funded 40% capital and 60% non-convertible debt. Capital of \$73.1M is all equity with 3.86M shares. Debt of \$111.8M is 38% in short-term bank loans, 37% in commercial paper and 25% in two bank term loans. Some 60% of funds float with market rates. Bank lines are \$100.5M with 28 banks. Lines are being increased modestly. Two new lines were added but one was cut for the same amount. Commercial paper sales through Merrill Lynch have been poor lately. The paper is rated P-3 by Moodys and F-1 by Fitch. Trust obtained IRS approval to extend expiration of warrants from Nov., 1974 to Nov. 7, 1977. Terms remain the same. **Sponsor:** Transamerica Corp., a financial service company, and Bankers Mtg. Co., a mortgage banking subsidiary. **Results & outlook:** An improved portfolio yield enabled trust to produce high gross revenues and overcome high interest costs and negative spread between funds borrowed and loans. Problem loans appear under control although time needed to successfully work them out will restrict near term results. Negative spread between funds and portfolio will also put pressure on earnings as high interest rates persist. Shares selling about 60% below book value seem to have discounted the problem loans and negative spread. Although coming under better control, further confirmation of improvement is needed including interest rate drop below California usury levels. (VCK)

FIRST MORTGAGE INVESTORS (3¼--NYSE-FIM) FY Jan. 31							
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Div. Yld.-
7/73	\$568.4M	12.86%	14.05%	\$0.47	\$0.49	\$22.50-16.13	12.1- 8.7%
10/73	598.6	12.46	12.29	0.46	0.49	19.25-15.13	12.9-10.2
1/74	620.1	NA	NA	d0.93	0.25	19.00- 6.50	15.4- 5.3
4/74	612.2*	E 9.95	NA	0.02	0.00	10.75- 6.63	None

*Preliminary and apparently excluding acquired properties. d-Deficit.

Portfolio dynamics: Portfolio growth has all but halted, based on trust announcements, and expectations are that invested assets will remain level or fall a bit in coming months. The trust is attempting to sell participations in \$50M of holdings to improve liquidity. Holdings at Jan. 31 were 40½% first mtg. constr. loans, 11½% first mtg. development loans, 4% land acquisition, 5% warehousing, 16½% intermediate-term mtgs., 13½% long-term mtgs. over 10 years, 3% FHA-VA, 4% junior mtgs. and equity investments, and 1.4% real estate acquired through foreclosure. Loan delinquencies increased during the April quarter to \$126M at end of April, or about 21% of mortgage loans. Delinquencies cost trust \$2.8M of interest income during the quarter. Major problem loans include

\$46.7M to Walter J. Kassuba, of which \$28.3M are being transferred to unaffiliated third-party investors and \$18.4M are being transferred to a new Kassuba-owned company for ultimate resale. Closings are proceeding smoothly but slowly because of complexity. Another \$20M is tied up in loans on the Golden Beach condominium project in Puerto Rico where sales are reported slow but sure. Problems are centered in long-term mtgs. tied to prime rate where borrowers cannot carry today's high interest rates. FMI added \$10M to its loss reserve in the January quarter to bring reserve to 2.0% of investments.

Financing: Trust capital of \$661.5M is 27% capital and subordinated debt and 73% non-convertible senior debt at Jan. 31. Trust capital of \$177.1M was 68% shareholders' equity and 32% subordinate and convertible debt. Non-convertible debt of \$487.9M was 45½% commercial paper, 32½% senior debt and 22% bank lines. Since then trust reports commercial paper has declined sharply and bank lines available have fallen 36% from \$417M to \$268M, with participating banks down from 167 to 110. Trust is circulating documents to effect a \$400M revolving credit line with banks but at this writing the line is not finalized. Trust auditors have made their opinion on the January 1974 fiscal year results subject to trust's ability to obtain additional financing. **Sponsor:** Independent, as the oldest short-term REIT lender. **Results & outlook:** The major earnings decline and dividend omission in the April quarter show the extreme impact of high interest rates. The relative magnitude of problems compared to the 77½% discount from book value makes the shares relatively unattractive for new investment, especially since continued viability is subject to negotiating new financing. Current holders face a protracted and problematical recovery. (KDC)

BUILDERS INVESTMENT GROUP (13--NYSE-BSG) FY Sept. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld. range-
6/73	\$240.6M	13.02%	15.59%	\$0.90	\$0.90	\$30.25-25.50	14.1-11.9%
9/73	287.5	15.13	18.25	1.02	1.02	31.75-26.50	15.4-12.9
12/73	323.9	14.77	19.37	1.06	1.06	34.25-22.13	19.2-12.4
3/74	423.6	14.23	19.56	1.07	1.07	27.38-19.75	21.7-13.9

Portfolio dynamics: Fundings increased 30% in the past six months but at best will stay about level the rest of the year. It is hoped repayments will be quick enough to fund existing commitments. The portfolio mix was 81% constr. & devel. consisting of 41% condos and townhouses, 6% single family, 6% hotels & motels, 5% apartments, 5% land acquisition, 4% office buildings, 3% shopping centers, 3% recreational, 2% each hospitals, industrial parks, warehouses, other commercial properties; 12% interim mortgage loans, and equity consisting of 5% land purchase/leasebacks and 2% land. Geographically 34 states plus Canada, P.R. and the Virgin Islands were covered with 29% in the northeast, 42% southeast, 7% northwest, 12% southwest and 9% P.R. Florida is the biggest state with 30%. On March 31, 85% of mortgage loans were tied to the prime rate but 28% had reached their maximum when the prime hit 10½%. This meant 61% of the mortgage portfolio was still floating, 57% of the total portfolio. Problem loans were last reported at \$13.105M, or 3.5% of portfolio. Trust is not accruing on \$11.705M and title was taken to a \$715T garden apartment complex and a \$685T office building. Further details have not been forthcoming, usually a sign the situation is fluid.

Financing: Trust is funded 16% equity, 84% non-convertible debt. Equity of \$66.6M is 2.93M shares. Debt of \$352.6M was 66% short-term bank notes, 13% commercial paper, 1% mtg. and 19% subordinate debt. Thus, 67% of total funds float with money rates. Commercial paper is running off and bank loans are being restructured for replacement. **Sponsor:** A subsidiary of Valley Forge Corp., 71% owned affiliate of Certain-teed Products, major building materials producer. Certain-teed recently announced it would provide no further financial support to Valley Forge, a land developer and builder experiencing financial difficulties. **Results & outlook:** Rapid portfolio growth permitted further operating gains. Interest rates and general financing restrictions will pressure the historic growth record. The presently strange relationship between Certain-teed and the trust's parent, while not directly affecting the trust, leaves a cloud over the trust shares until clarified. (BS)

IDS REALTY TRUST (16 $\frac{1}{4}$ --NYSE-IDR) FY Jan. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Share price-	-Div.Yield-
7/73	\$190.2M	12.29%	12.21%	\$0.62	\$0.65	\$26.00-22.38	11.6-10.0%
10/73	242.5	13.61	13.07	0.69	0.73	29.38-25.38	11.5- 9.9
1/74	258.5	13.02	14.43	0.76	0.80	31.63-22.75	14.4-10.1
4/74	E298.0	NA	NA	0.79	0.84	26.88-21.88	15.4-12.5

Portfolio dynamics: Fundings rose 23% the past six months reflecting continued availability of funds. At April 30 the trust had about \$166 million unfunded commitments including about \$75 million in approved loans not yet closed. New commitments are being made on a selective basis as the trust seeks to take advantage of the current credit stringency to upgrade borrower quality, particularly by attracting customers of banks now out of the market. Overall we expect net portfolio gains of about \$20-\$25 million per quarter the next six months, or about a 15% gain. Holdings are 44 $\frac{1}{2}$ % first mtg. construction loans; 24 $\frac{1}{2}$ % first mtg. land and land devel. loans; 1 $\frac{1}{4}$ % other short-term mtgs.; 12% intermediate and long-term mtgs. and 13% real estate owned. Land acquisition and development loans are currently deemphasized in favor of standing and other interim loans, in line with trust belief that it can assume ownership risks if required. In this vein the trust operates with a low proportion (23%) of construction loans covered by permanent takeouts from other lenders, vs. 18 $\frac{1}{2}$ % covered by adviser takeouts and 58 $\frac{1}{2}$ % not covered. By property type, holdings are 29% land and land development in all categories, 19% shopping centers, 15% multi-family units, 12 $\frac{1}{2}$ % single-family, and 8% office buildings. About 20% of total commitments at Jan. 31 were in California, 20% in Texas, 10% in Florida, 10% in Georgia. The trust has not shied from financing builders where the trust may be the largest single borrower, and at Jan. 31 about 24 $\frac{1}{2}$ % of funded investments were to three large borrowers: Reeder Development Corp., a multi-state single family developer holding 12% of investments; Watson Construction Co. and affiliates, shopping center developer, 7%; Muse Corp. and Sid Hersh Assoc., developer of a large residential and commercial project in Miami, 6%. About 12% of investments are to joint-ventures with subsidiaries of the adviser but new commitments to such affiliates are being curtailed. About 65% of investments (86% of short-term loans) vary with money market rates, nearly all tied to the month-end dealer rate for commercial paper. This helped maintain portfolio yield. Non-earning investments at April 30 totaled \$7.04M, or about 2.4% of investments. Interest recognition was halted on five loans for \$3.01M (of which \$2.46M are being foreclosed) and IDR holds \$4.02M worth of three foreclosed properties, including two properties subject to borrower redemption. Largest single problem loan is a motor hotel in Michigan, now 85% completed.

Financing: Trust capital of \$310.3M at Apr. 30 was 65% capital and 35% nonconvertible debt. Capital of \$200.9M is 25% equity (\$54.1M with 2.41M shares) and 75% in four issues of subordinated debentures totaling \$146.9M. All four issues were sold directly to investors by the Investors Diversified Services sales force. Three issues have fixed interest rates averaging 7 1/8%; the fourth varies at 1% over the average yield on 3-month Treasury bills with a 6% floor and 10% ceiling. A second variable yield debenture of \$50M is currently in registration. Non-convertible debt of \$109.4M is 70% commercial paper and 27% short-term bank loans. Commercial paper has fallen from \$131.8M last October to \$76.5M at April and a reported \$40-\$50M now. It is rated P-3 by Moody's, reflecting recent rating. IDR recently agreed to buy about 1.02M warrants (to buy $\frac{1}{2}$ -share at \$25) to reduce potential dilution. Sponsor: IDS Mortgage Corp., wholly owned subsidiary of Investors Diversified Services, Minneapolis mutual funds giant. IDS Mortgage is among the largest U.S. mortgage bankers and nearly all current commitments are originated and serviced by its 17 offices. Results & outlook: April quarter earnings rose as higher portfolio yields and fundings more than offset higher interest costs. Problem loans have been well controlled despite policy of low takeout coverage and concentration among large borrowers. Financing has generally been strong with bank lines of \$149M adequate to cover any further commercial paper shrinkage. Shares have been weak recently and at 28% below book value have speculative recovery potential. (KDC)

CORRECTIONS: Our May 28 survey of non-earning REIT investments (non-accrual loans plus foreclosures) overstated amounts for Berg Enterprises Realty and Mortgage Trust of America. For Berg we included a \$2.58M loan experiencing construction delays on which the trust continued to accrue interest. Berg's correct amount is 15.9% (13.3% non-accrual and 2.6% in foreclosures). Mortgage Trust of America's current status is reviewed this issue. Gulf Mortgage & Realty Investments has 55% of funds floating with prime, not the 71% reported May 14. We regret these errors.